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TO: Each Supervisor

FROM: Jonathan E. Fielding, M.D., M.P.H. *J. Fielding*  
Director and Health Officer

SUBJECT: **POTENTIAL MAJOR REDUCTIONS IN CHILDREN'S MEDICAL SERVICES IN  
FISCAL YEAR 2008-09**

This is to inform you of potential major reductions that are under consideration in Sacramento related to the Department of Public Health's (DPH) Children's Medical Services (CMS) division, which includes the California Children's Services (CCS) program

**Background**

The Governor's Proposed Budget for Fiscal Year (FY) 2008-09 included a proposal to reduce State funding for CMS by 10 percent, which was initially estimated to reduce funding to the DPH CMS division by \$4.5 million. Based on discussions with the California Department of Health Care Services, the methodology being considered to implement the reduction will likely have a net effect of greater than \$4.5 million. The revised impact for FY 2008-09 to the County is estimated at \$10.5 million, or 21 percent.

Of concern is that although both the Assembly and Senate budget committees have rejected the proposed reduction, the Governor can impose the reduction via a line item veto of the CMS funding level in the final State budget. If this occurs, DPH will need to rapidly take actions to reduce expenditure levels in the current fiscal year.

**Impact of Potential Reductions**

A loss of \$10.5 million in funding will necessitate a reduction in the staffing of the CCS program. Initial estimates indicate that this could impact approximately 164 professional and support staff positions, of which 86 are vacant.

The impact of this potential reduction is significant. With fewer CCS case management staff, delays will occur in organizing and coordinating service. These delays will negatively affect the continuity of care and outcomes for medically fragile children. For example, 6,700 CCS children in the County have congenital heart disease and another 9,000 have chronic respiratory disease. These children require highly specialized care, and delays in treatment will result in needless pain and suffering. Without timely and proper care for heart, respiratory and other CCS conditions, these children will likely present to already overcrowded emergency rooms for their care.

The preliminary estimated programmatic impact as a result of the reduced funding is:

1. A 21-day increase to the State-mandated 5-day time frame to complete medical review to determine medical eligibility.
2. A 21-day delay in determining financial eligibility.
3. A fifty percent (50%) reduction in the average number of authorizations processed.
4. A significant reduction in the psychosocial support provided to high risk families for depression, anxiety and other mental health stressors present when caring for children with severe chronic disease and/or disabilities.
5. Elimination of nutritional counseling for chronically ill children and their families.
6. Elimination or major reduction to the CCS Adolescent Transition Planning Program, which ensures continuity of care when an adolescent ages out of the CCS program at 21 years of age.
7. Elimination of all out-stationed CCS nurses at hospitals (CHLA, LAC+USC, UCLA, Harbor UCLA, Miller Children's Hospital) and therapy units located thorough out the County, leaving hospitals and therapy units without the assistance needed to process and coordinate inpatient referrals and treatment services.
8. Elimination of Nurse Case Manager Liaisons at Regional Centers, Medi-Cal Managed Care and Healthy Family Plans, which will result in fragmentation of care, loss of case finding, non-timely processing of client referrals.
9. Elimination of case finding outreach activities, which will limit CCS' ability to identify children with special needs.
10. A reduction of State-mandated performance monitoring, which will impede CCS' ability to monitor and effect improvements in Special Care Center services, and limit the program's ability to monitor case management activities for efficiency and effectiveness.

The programmatic impacts noted above will likely result in adverse health outcomes for CCS eligible children. For example:

1. The County's CCS program has over 9,000 patients with chronic respiratory disease, primarily related to prematurity, or other severe and/or chronic lung disease. Delays in obtaining optimal care will lead to a significant increase in poor growth and development, with predictable adverse long-term educational and vocational performance, as well as preventable hospitalizations and emergency use.
2. Over 7,000 CCS patients in the County have been diagnosed at birth with cleft palate, with cleft lip, and related craniofacial and dentofacial anomalies. While these conditions are not fatal, delays in early intervention expose these babies to severe feeding problems with inadequate growth and development, and some cases will result in emergency room and/or hospitalization for aspiration pneumonia.

3. Approximately, 7,000 CCS patients in the County have primary hearing loss, which has a major impact on speech and language development, as well as social and emotional development, behavior, attention and academic achievement. Scientific evidence shows that intervention delayed beyond the first six-months of life is a virtual guarantee that the child will have severe abnormal communication for the rest of his or her life.
4. Nearly, 6,700 CCS patients in the County have congenital heart disease, most of whom require specialized multidisciplinary care in CCS-approved Special Care Centers (SCC). An additional 2,100 CCS patients have congenital anomalies of major blood vessels, and most of them require surgical intervention. The majority of these conditions are lethal if untreated. Moreover, inadequate and/or delayed treatment for serious cardiovascular disorders will lead to feeding difficulties, poor growth and abnormal mental development, as well as respiratory infections and other complications that are recurrent and preventable.
5. There are more than 5,100 CCS patients in the County with cerebral palsy (CP) and another 4,800 with neuromuscular conditions similar to CP. These conditions result in a loss of normal vital functions, including limb function, because of central nervous system (CNS) disorders. Many of these children have co-existing disabilities, either related to their CNS disorders, or involving complications that affect other major organs, such as the lungs and gastrointestinal tract. For these children, delays in appropriate care will result in an increased incidence of a number of complications such as joint contracture development, which will result in increased expenditures for surgery, durable medical equipment, bracing, pain medications, while at the same time contributing to further loss of normal function, as well as increased emergency room use for other preventable complications.

### **Actions**

DPH has been working aggressively with the CEO, the County's Sacramento Advocates, and the County Health Executives Association of California (CHEAC) on advocacy to oppose these proposed funding reductions in the State budget process.

While we continue to advocate in the hope that the proposed reduction will be defeated, DPH is working on a contingency plan to align the reduced funding level in the current fiscal year, and minimize the impact on services and clients. At present, should DPH need to reduce staffing levels, it appears that the earliest time this could be accomplished is by the end of October 2008.

If you have any questions or need additional information, please let me know.

JEF:jf

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Interim Director of Health Services  
Director of Mental Health